

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1426
ANSWERED ON:04.03.2016
Setting up of Foreign Exchange Centres
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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to set up foreign exchange centres on Indo Nepal border areas including Lakhimpur Khiri in Uttar Pradesh to have legal framework for foreign exchange facility and easing business activities/ transactions;
- (b) if so, the details thereof; and
- (c) if not, the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(a) to (c): Banks are free to set up branches or extension counters at all Indo-Nepal border areas, depending upon their assessment of the scope of business. However, the banks are reluctant to offer exchange facility in Indo-Nepal border areas. This is mainly due to the fact that in the unofficial/ grey market, the Nepalese Rupee is available at a discount against the Indian Rupee (INR), vis-a-vis the official exchange rate. Thus, if the banks buy Nepalese Rupee from the customers, they will face an accumulation of the currency for they cannot sell the currency to the public at the official rate when it is available unofficially at a lower rate. This situation is presumably due to the Nepal's deficit Balance of Payments (BoP) against India, as also the fact that the Nepalese Rupee is pegged to the Indian Rupee (INR).
